

* MONEY MATTERS

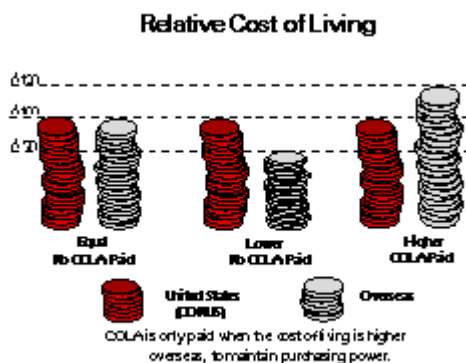
Cost of Living Allowance – JFTR Code for Yokosuka is JA061

Overseas COLA Overview

The Overseas Cost of Living Allowance is a supplement designed to equalize purchasing power between members overseas and their CONUS-based counterparts. The basic measurement is a comparison of CONUS shopping behavior and the aggregate shopping behavior at each overseas location. It is paid to over 250,000 members at approximately 600 locations overseas, including Alaska and Hawaii. The current cost is approximately \$1.7 billion annually.

Overseas Cost of Living Allowance Program Frequently Asked Questions

UPDATED: 07 MAY 2007



Q1. What is Overseas COLA?

ANSWER: The Cost-of-Living Allowance, or COLA, is paid to Service Members to partially offset high costs when stationed overseas (including Alaska and Hawaii). COLA helps maintain purchasing power so you can purchase about the same goods and services overseas as in the United States. It does not *reimburse* expenses, but is designed to *offset* higher overseas prices of goods and services. It does not compensate for remoteness, hardship, or non-availability of goods and services.

Q2. Does everyone assigned overseas receive COLA?

ANSWER: No. If the cost of living in the overseas area where you are assigned is the same as, or lower than it is in an average area in the United States, you do not receive COLA.

Q3. How much COLA will I receive at my new permanent duty station?

ANSWER: A COLA rate query by location is available at <http://perdiem.hqda.pentagon.mil/perdiem/ocform.html>

Q4. How does the Department of Defense know whether it costs more to live at my overseas duty station than in the States?

ANSWER: The Cost of Living index is based on data furnished by uniformed members assigned to each overseas location. The Per Diem, Travel and Transportation Allowance Committee uses two surveys to determine the relative cost of living: a Living Pattern Survey and a Retail Price Schedule.

The Living Pattern Survey asks Service Members which local stores they shop in and how much (the percentage) they buy from the commissary and exchange. For example, the Living Pattern Survey may show that Service Members typically buy half their clothing in local stores (with foreign currency) and half at the exchange (with U.S. dollars).

Using information from the Living Pattern Survey, price collectors in many overseas locations conduct a market basket survey (Retail Price Schedule) each year, pricing about 120 goods and services.

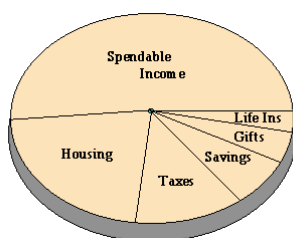
The prices from each overseas survey are compared with prices in the United States for equivalent goods and services at the same point in time. If the overseas market basket cost is greater than the U.S. cost, a COLA is paid.



The survey might show, for example, that in September the market basket items in the United States cost \$100 and \$130 at your overseas duty station. The cost of living is 30% higher in your area, and you would receive COLA to help pay the extra costs associated with the higher cost of living overseas.

Q5. So if the cost of living is 30% higher at my duty station, will my paycheck be 30% larger?

ANSWER: No, because COLA is figured on spendable income, not total income. Spendable income is total income minus housing expenses, taxes, savings, life insurance, gifts and contributions.



Q6. How does DoD know what my spendable income really is?

ANSWER: The spendable income used to calculate COLA is based on averages. The Per Diem Committee uses spendable income tables computed for different family sizes and income levels. These tables are based on consumer expenditure surveys from the Department of Labor's Bureau of Labor Statistics that show how people typically spend their income.

Q7. Does the type of housing I occupy affect my COLA?

ANSWER: Yes. If you live in the barracks or aboard ship, you will receive less COLA to reflect your lower living expenses.

Q8. I've heard that there also is an overseas housing allowance, or OHA. Does the amount of COLA I receive affect my OHA?

ANSWER: No. COLA and OHA are separate allowances: COLA partially offsets non-housing expenses; OHA partially reimburses for housing expenses when housing is not provided by the government.

Q9. Is COLA affected by changes in the foreign exchange rates?

ANSWER: Yes. The Per Diem Committee monitors foreign exchange rates throughout the year. As the amount of foreign currency your dollar "buys" changes, the Per Diem Committee increases or decreases COLA to maintain your purchasing power.

Q10. How often is COLA adjusted?

ANSWER: COLA is adjusted once a year based on data furnished by the Commands overseas. For currency fluctuations, the committee can adjust COLA as often as every payday. Of course, just as it takes time to process an allotment change, it takes a while for a COLA change to show up in your pay.

Q11. I know that the value of the dollar has dropped a lot over the past several months, but my COLA hasn't gone up an equal amount to compensate for the drop. Why not?

ANSWER: Because COLA is adjusted only for the portion of income that the typical member spends on the local economy (in foreign currency). If the living-pattern survey for your area shows that typical members spend 50% of their income on the

local economy and 50% in dollars (i.e., on-base), then only that portion of COLA based on local currency purchases is changed for currency fluctuations. If the value of the dollar against the local currency falls 4%, in this case your COLA would be increased 2%.

Q12. What if spending patterns have changed because of changes in the exchange rate?

ANSWER: When such changes occur, the Living Pattern Survey will be updated. An event such as the opening/closing of a commissary/exchange also may prompt a survey update.

Q13. My dollar buys less foreign currency than ever, but I still don't receive COLA. How come?

ANSWER: Remember that you receive COLA only when the cost of living in your area is higher than it is in the United States. If you have enjoyed a lower cost of living in your area, you may feel disadvantaged when the exchange rate becomes less favorable to you, even though costs are still lower than in the United States. You can be sure that once average costs exceed those in the States, you will receive an appropriate allowance.

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* **NAVY COLLEGE - YOKOSUKA**

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